



IMPENDLE LOCAL MUNICIPALITY

FINANCIAL STATEMENT FOR FINANCIAL YEAR 2010/2011



Impendle Municipality

Annual Financial Statements for the year ended 30 June 2011

General Information

Mayoral committee

Executive Mayor	HW Cllr S.G. Ndlela (Appointed 26 May 2011)
Councillors	C.D. Gwala (26 May 2011) S. Mlaba (26 May 2011) S.M. Makhaye (26 May 2011) P. Mtolo (26 May 2011) N. Mvelase (26 May 2011) H.T. Zuma (26 May 2011) E.B. Madlala (Resigned 26 May 2011) K.M. Dlamini (Resigned 26 May 2011) M.M. Cekwane (Resigned 26 May 2011) T.R. Mncube (Resigned 26 May 2011)

Grading of local authority

Grade 1
Category B

Accounting Officer

B.S. Duma (Resigned April 2011)
E.X. Muthwa (Acting May 2011)

Chief Finance Officer (CFO)

T.S. Khwela

Registered office

21 Mafahleni Street
Impendle
3327

Business address

21 Mafahleni Street
Impendle
3327

Postal address

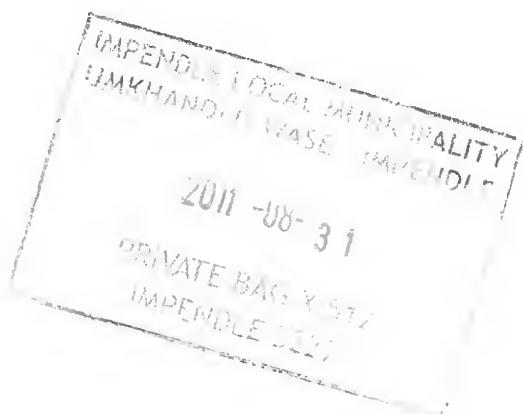
Private Bag x512
Impendle
3327

Bankers

ABSA

Auditors

Auditor General



Impendle Municipality

Annual Financial Statements for the year ended 30 June 2011

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Abbreviations

CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

A report of the accounting officers has not been prepared as the municipality is a wholly owned controlled entity of which is incorporated in South Africa.

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Accounting Officer's Responsibilities and Approval

The accounting officer are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officers to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The Auditor General are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practices (GRAP).

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officers acknowledge that they are ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer have reviewed the municipality's cash flow forecast for the year to 30 June 2011 and, in the light of this review and the current financial position, they are satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is largely dependent on the grant allocations through the Division of revenue act (DORA) for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Impendle Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's Chief Finance Officer.

The Auditor General is responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the Auditor General and their report is presented on page 4.

The annual financial statements set out on pages 4 to 32, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2011 and were signed on its behalf by:



Accounting Officer
E.X. Muthwa - Acting Municipal Manager
(Appointed 1 May 2011)

Impendle Municipality

Annual Financial Statements for the year ended 30 June 2011

Statement of Financial Position

Figures in Rand	Note(s)	2011	2010
Assets			
Current Assets			
Trade and other receivables	6	114 767	214 183
VAT receivable	7	2 185 873	2 877 582
Consumer debtors	8	396 092	383 290
Cash and cash equivalents	9	5 049 308	7 611 202
		7 746 040	11 086 257
Non-Current Assets			
Investment property	3	6 064 610	3 239 670
Property, plant and equipment	4	12 502 249	20 977 263
Intangible assets	5	310 848	407 518
		18 877 707	24 624 451
Non-Current Assets		18 877 707	24 624 451
Current Assets		7 746 040	11 086 257
Non-current assets held for sale (and) (assets of disposal groups)		-	-
Total Assets		26 623 747	35 710 708
Liabilities			
Current Liabilities			
Trade and other payables	14	148 636	1 314 716
Unspent conditional grants and receipts	12	4 055 470	5 967 762
Provisions	13	986 282	801 764
		5 190 388	8 084 242
Non-Current Liabilities			
Finance lease obligation	11	1 853 389	2 172 480
Non-Current Liabilities		1 853 389	2 172 480
Current Liabilities		5 190 388	8 084 242
Liabilities of disposal groups		-	-
Total Liabilities		7 043 777	10 256 722
Assets		26 623 747	35 710 708
Liabilities		(7 043 777)	(10 256 722)
Net Assets		19 579 970	25 453 986
Net Assets			
Reserves			
Revaluation reserve		58 080	-
Accumulated surplus		24 876 635	25 453 986
Total Net Assets		24 934 715	25 453 986

Impendle Municipality

Annual Financial Statements for the year ended 30 June 2011

Statement of Financial Performance

Figures in Rand	Note(s)	2011	2010
Revenue			
Rendering of services		15 708	18 880
Property rates	16	777 849	1 309 267
Service charges	17	36 280	32 015
Rental of facilities and equipment		157 720	148 025
Fines		6 531	15 330
Licences and permits		14 072	7 990
Government grants & subsidies	18	20 540 380	25 046 410
Fees earned		18 983	34 910
Commissions received		11 092	-
Other income	19	123 249	490 405
Interest received - investment		522 446	348 353
Total Revenue		22 224 310	27 451 585
Expenditure			
Salaries and wages	21	(9 566 416)	(7 279 979)
Remuneration of councillors	22	(1 038 014)	(1 218 602)
Depreciation and amortisation	24	(1 290 996)	(1 009 187)
Debt impairment	23	122 291	(1 000 000)
Repairs and maintenance		(944 443)	(434 283)
Contracted services	25	(400 822)	(322 653)
Grant funded expenditure	26	(750 000)	-
General Expenses	20	(8 275 877)	(9 138 563)
Total Expenditure		(22 144 277)	(20 403 267)
Revenue		22 224 310	27 451 585
Expenditure		(22 144 277)	(20 403 267)
Other		-	-
Surplus for the year		80 033	7 048 318

Impendle Municipality

Annual Financial Statements for the year ended 30 June 2011

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Balance at 01 July 2009	-	18 405 668	18 405 668
Changes in net assets			
Surplus for the year	-	7 048 318	7 048 318
Total changes	-	7 048 318	7 048 318
Opening balance as previously reported	-	24 796 602	24 796 602
Balance at 01 July 2010 as restated	-	24 796 602	24 796 602
Changes in net assets			
Revaluation of property, plant and equipment	58 080	-	58 080
Net income (losses) recognised directly in net assets	58 080	-	58 080
Surplus for the year	-	80 033	80 033
Total recognised income and expenses for the year	58 080	80 033	138 113
Total changes	58 080	80 033	138 113
Balance at 30 June 2011	58 080	24 876 635	24 934 715

Note(s)

Impendle Municipality

Annual Financial Statements for the year ended 30 June 2011

Cash Flow Statement

Figures in Rand	Note(s)	2011	2010
Cash flows from operating activities			
Receipts			
Sale of goods and services		23 600 733	25 980 147
Interest income		522 446	348 353
		24 123 179	26 328 500
Payments			
Employee costs		(8 562 027)	(8 562 027)
Suppliers		(11 561 076)	(11 561 076)
		(20 123 103)	(20 123 103)
Total receipts		24 123 179	26 328 500
Total payments		(20 123 103)	(20 123 103)
Undefined difference compared to the cash generated from operations note		(4 744 578)	-
Net cash flows from operating activities	27	(744 502)	6 205 397
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(6 174 333)	(10 712 290)
Proceeds from sale of property, plant and equipment	4	4 714	-
Purchase of other intangible assets	5	(24 335)	(346 320)
Other cash item	28	(48 925)	222 091
Net cash flows from investing activities		(6 242 879)	(10 836 519)
Cash flows from financing activities			
Finance lease receipts		(319 091)	2 172 480
Net increase/(decrease) in cash and cash equivalents		(7 306 472)	(2 458 642)
Cash and cash equivalents at the beginning of the year		7 611 202	10 069 844
Cash and cash equivalents at the end of the year	9	304 730	7 611 202

Impendle Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note First-time adoption of Standards of Generally Recognised Accounting Practice.

1.1 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the enterprise, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date it becomes determinable or construction is complete.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business, are as follows:

Transitional provision

The municipality changed its accounting policy for investment property in 2011. The change in accounting policy is made in accordance with its transitional provision as per Directive 2 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure investment property for reporting periods

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Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.1 Investment property (continued)

beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Investment property. Investment property has accordingly been recognised at provisional amounts, as disclosed in 3. The transitional provision expires on 30 June 2012.

In accordance with the transitional provision as per Directive 2 of the GRAP Reporting Framework, where investment property was acquired through a transfer of functions, the municipality is not required to measure that investment property for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2011 and investment property has accordingly been recognised at provisional amounts, as disclosed in 3.

Until such time as the measurement period expires and investment property is recognised and measured in accordance with the requirements of the Standard of GRAP on Investment property, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Investment property implies that any associated presentation and disclosure requirements need not be complied with for investment property not measured in accordance with the requirements of the Standard of GRAP on Investment property.

1.2 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of

Impendle Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.2 Property, plant and equipment (continued)

property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Buildings	30 Years
Plant and machinery	
• Graders and Tractors	10 - 15
• Farm equipment	5
• Other	5
Furniture and fixtures	10
Motor vehicles	
• Ambulances	5 - 10
• Trucks and light delivery vehicles	5 - 7
• Ordinary motor vehicles	5 - 7
Office equipment	
• Computer Hardware	4
• Computer Software	3 - 5
• Office Machines	3 - 5
IT equipment	4
Computer software	3 - 5
Infrastructure	15
Community	
• Sports Fields	30
• Security Measures 3	3
• Security Measures 5	5
Communication equipment	5
Other property, plant and equipment	
• Kitchen Equipment	5

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

Transitional provision

The municipality changed its accounting policy for property, plant and equipment in 2011. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

Impendle Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.2 Property, plant and equipment (continued)

According to the transitional provision, the municipality is not required to measure property, plant and equipment for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Property, plant and equipment. Property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in 4. The transitional provision expires on 30 June 2012.

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where property, plant and equipment was acquired through a transfer of functions, the municipality is not required to measure that property, plant and equipment for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2011 and property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in 4.

Until such time as the measurement period expires and property, plant and equipment is recognised and measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Property, plant and equipment implies that any associated presentation and disclosure requirements need not be complied with for property, plant and equipment not measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment.

1.3 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Impendle Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.3 Intangible assets (continued)

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	4 years

Transitional provision

The municipality changed its accounting policy for intangible assets in 2011. The change in accounting policy is made in accordance with its transitional provision as per Directive 2 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure intangible assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Intangible assets. ~~Intangible Assets has accordingly been recognised at provisional amounts, as disclosed in 5.~~ The transitional provision expires on 30 June 2012.

In accordance with the transitional provision as per Directive 2 of the GRAP Reporting Framework, where intangible assets was acquired through a transfer of functions, the municipality is not required to measure that intangible assets for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2011 and intangible assets has accordingly been recognised at provisional amounts, as disclosed in 5.

Until such time as the measurement period expires and intangible assets is recognised and measured in accordance with the requirements of the Standard of GRAP on Intangible assets, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Intangible assets implies that any associated presentation and disclosure requirements need not be complied with for intangible assets not measured in accordance with the requirements of the Standard of GRAP on Intangible assets.

1.4 Financial instruments

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Impendle Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.4 Financial instruments (continued)

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

1.5 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

1.6 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as salaries and wages , bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Impendle Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.6 Employee benefits (continued)

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the municipality is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

The Municipality's employees are members of the following Benefit Schemes, Natal Joint Municipal Pension Fund (a State and Multi Employer Defined Benefit Plan). Kwazulu Natal Joint Provident Fund (a State and Multi Employer Defined Contribution Plan). Along with other Municipalities in the province of KwaZulu Natal, Impendle participates in a multi employer defined plan. Because the plan exposes the participating entities to actuarial risks associated with the current and former employees of other municipalities participating in the plan there is no consistent and reliable basis for allocating the obligation, plan assets and cost to individual municipalities participating in the plan. Impendle therefore accounts for the plan as if it were defined contribution plan per Exposure Draft No. 49.

1.7 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

Impendle Municipality

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Accounting Policies

1.7 Provisions and contingencies (continued)

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding agreement.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note .

1.8 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

1.9 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.10 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

Impendle Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.10 Borrowing costs (continued)

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.5 and . In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

Extended periods is periods that exceeds X months.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.11 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.12 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.13 Presentation of currency

These annual financial statements are presented in South African Rand.

1.14 Internal reserves

Impendle Municipality

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2. Changes in accounting policy

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

• Standard of GRAP	
GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidation and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interest in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after Reporting Date
GRAP 16	Investment Property
GRAP 17	Properties, Plant and Equipment
GRAP 18	Segment Reporting
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 23	Revenue from Non Exchange Transactions
GRAP 24	Presentation of Budget Information in the Financial Statements
GRAP 100	Non current assets Held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets

Property, Plant and Equipment

During the year, the municipality changed its accounting policy with respect to the treatment of Property, Plant and Equipment. In order to conform with the benchmark treatment in of GRAP17. The municipality now XXX [For all voluntary changes in accounting policy state also the reason the change provides reliable and more relevant information].

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2010 is as follows:

Statement of financial position

Management do not have sufficient records relating to interest capitalised on plant and equipment to enable retrospective expensing of borrowing cost. For this reason the change in accounting policy is applied prospectively.

[If retrospective application is impracticable for a particular prior period, or for periods before those presented, disclose the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.]

3. Investment property

	2011			2010		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	6 064 610	-	6 064 610	3 239 670	-	3 239 670

Reconciliation of investment property - 2011

	Opening balance	Difference	Total
Investment property	3 239 670	2 824 940	6 064 610

Impendle Municipality

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3. Investment property (continued)

Reconciliation of investment property - 2010

	Opening balance	Total
Investment property	3 239 670	3 239 670

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
 - the fact that the entity has disposed of investment property not carried at fair value,
 - the carrying amount of that investment property at the time of sale, and
 - the amount of gain or loss recognised.

When the municipality's policy is to subsequently measure investment property on the cost model, when the municipality cannot determine the fair value of the investment property reliably, the municipality must disclose:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and

Impendle Municipality

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4. Property, plant and equipment

	2011			2010		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	3 927 273	-	3 927 273	3 927 273	-	3 927 273
Buildings	4 440 355	(1 748 440)	2 691 915	4 009 038	(1 501 781)	2 507 257
Plant and machinery	2 827 113	(429 703)	2 397 410	2 275 408	(237 878)	2 037 530
Furniture and fixtures	961 367	(420 468)	540 899	961 135	(325 818)	635 317
Motor vehicles	1 254 172	(831 315)	422 857	2 155 382	(795 433)	1 359 949
Office equipment	255 431	(91 244)	164 187	311 044	(175 788)	135 256
IT equipment	554 153	(249 913)	304 240	464 539	(199 727)	264 812
Infrastructure	2 520 052	(1 205 268)	1 314 784	2 520 052	(1 037 264)	1 482 788
Community	804 395	(117 334)	687 061	737 614	(75 759)	661 855
Communication equipment	128 305	(94 018)	34 287	124 975	(57 296)	67 679
Assets Under Construction	-	-	-	7 874 468	-	7 874 468
Other property, plant and equipment	34 340	(17 004)	17 336	33 362	(10 283)	23 079
Total	17 706 956	(5 204 707)	12 502 249	25 394 290	(4 417 027)	20 977 263

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Depreciation
Land	3 927 273	-	-	-	-	-	-
Buildings	2 507 257	31 317	-	9 255	-	399 999	(255 9
Plant and machinery	2 037 530	186 090	-	-	-	365 615	(191 8
Furniture and fixtures	635 317	3 450	(1 904)	-	-	-	(95 9
Motor vehicles	1 359 949	-	-	-	18 000	(765 616)	(189 4
Office equipment	135 256	28 009	-	-	28 000	11 830	(38 9
IT equipment	264 812	151 559	(2 810)	(15 760)	12 080	-	(105 6
Infrastructure	1 482 788	921 410	-	(6 402 142)	-	5 480 731	(168 0
Community	661 855	1 972 106	-	(4 034 415)	-	2 168 329	(80 8
Communication equipment	67 679	3 329	-	-	-	-	(36 7
Assets under construction	7 874 468	2 876 085	-	(10 857 446)	-	106 893	-
Other property, plant and equipment	23 079	978	-	-	-	-	(6 7
	20 977 263	6 174 333	(4 714)	(21 300 508)	58 080	7 767 781	(1 169 9

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Transfers	Depreciation	Total
Land	3 832 273	95 000	-	-	3 927 273
Buildings	2 913 046	47 710	(200 000)	(253 499)	2 507 257
Plant and machinery	72 310	1 859 104	200 000	(93 884)	2 037 530
Furniture and fixtures	577 542	147 778	-	(90 003)	635 317
Motor vehicles	1 058 162	427 186	-	(125 399)	1 359 949
Office equipment	97 677	65 893	-	(28 314)	135 256
IT equipment	211 368	136 726	-	(83 282)	264 812
Infrastructure	1 650 791	-	-	(168 003)	1 482 788
Community	716 752	9 185	-	(64 082)	661 855
Communication equipment	54 752	49 240	-	(36 313)	67 679
Minor plant	-	7 874 468	-	-	7 874 468
Other property, plant and equipment	29 751	-	-	(6 672)	23 079
	11 214 424	10 712 290	-	(949 451)	20 977 263

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4. Property, plant and equipment (continued)

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

5. Intangible assets

	2011			2010		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software, other	494 164	(183 316)	310 848	633 173	(225 655)	407 518

Reconciliation of intangible assets - 2011

	Opening balance	Additions	Amortisation	Total
Computer software, other	407 518	24 335	(121 005)	310 848

Reconciliation of intangible assets - 2010

	Opening balance	Additions	Amortisation	Total
Computer software, other	120 935	346 320	(59 737)	407 518

6. Trade and other receivables

Other receivables	114 769	131 529
Staff debtors	(2)	82 654
	114 767	214 183

7. VAT receivable

VAT	2 185 873	2 877 582
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8. Consumer debtors

Gross balances		
Rates	416 939	1 079 446

Less: Provision for debt impairment

Rates	(20 847)	(696 156)
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Net balance

Rates	396 092	383 290
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Rates

Current (0 -30 days)	251 050	107 537
31 - 60 days	111 231	107 131
91 - 120 days	33 811	168 622
	396 092	383 290

Reconciliation of debt impairment provision

Contributions to provision	(20 847)	(696 156)
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Impendle Municipality

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9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	10 000	10 014
Bank balances	889 893	283 997
Short-term deposits	4 149 415	7 317 191
	5 049 308	7 611 202

10. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2011

	Capitalisation reserve	Government grant reserve	Total
Opening balance	681 608	9 051 703	9 733 311
Transfer to accumulated surplus	(681 608)	-	(681 608)
Undefined difference	-	6 359 792	6 359 792
	-	15 411 495	15 411 495

Ring-fenced internal funds and reserves within accumulated surplus - 2010

	Capitalisation reserve	Government grant reserve	Total
Opening balance	681 608	10 797 371	11 478 979
Transfer to Grant revenue (Restated)	-	(1 745 579)	(1 745 579)
	681 608	9 051 792	9 733 400

11. Finance lease obligation

Minimum lease payments due

- within one year	-	362 302
- in second to fifth year inclusive	-	1 853 390
Present value of minimum lease payments	-	2 215 692

Present value of minimum lease payments due

Non-current liabilities	-	1 810 178
Current liabilities	-	362 302
	-	2 172 480

It is municipality policy to lease certain motor vehicles and equipment under finance leases.

The average lease term was 1-5 years and the average effective borrowing rate was 15% (2010: 15%).

Interest rates are fixed at the contract date. All leases have fixed repayments

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

12. Unspent conditional grants and receipts

Movement during the year

Balance at the beginning of the year	5 967 762	5 982 879
Additions during the year	9 392 253	25 264 641
Income recognition during the year	(11 304 545)	(25 279 758)
	4 055 470	5 967 762

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12. Unspent conditional grants and receipts (continued)

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

13. Provisions

Reconciliation of provisions - 2011

	Opening Balance	Additions	Total
Audit Fees	255 411	144 589	400 000
Leave pay provisions	546 353	39 929	586 282
	801 764	184 518	986 282

Reconciliation of provisions - 2010

	Opening Balance	Additions	Utilised during the year	Total
Audit Fees	-	515 011	(259 600)	255 411
Leave pay provisions	181 222	390 173	(25 042)	546 353
	181 222	905 184	(284 642)	801 764

14. Trade and other payables

Trade payables	148 636	1 314 716
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15. Revenue

Rendering of services	15 708	18 880
Property rates	777 849	1 309 267
Service charges	36 280	32 015
Rental of facilities & equipment	157 720	148 025
Fines	6 531	15 330
Licences and permits	14 072	7 990
Government grants & subsidies	20 540 380	25 046 410
	21 548 540	26 577 917

The amount included in revenue arising from exchanges of goods or services are as follows:

Rendering of services	15 708	18 880
Service charges	36 280	32 015
Rental of facilities & equipment	157 720	148 025
Licences and permits	14 072	7 990
	223 780	206 910

The amount included in revenue arising from non-exchange transactions is as follows:

Property rates	777 849	1 309 267
Fines	6 531	15 330
Government grants & subsidies	20 540 380	25 046 410

Impendle Municipality

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15. Revenue (continued)

21 324 760

26 371 007

16. Property rates

Rates received

Residential	6 126	39 560
Commercial	84 672	546 750
State	380 998	2 460 220
Small holdings and farms	305 883	1 975 180
Industrial	13 582	87 700
Multi-purpose	19 768	127 650
Less: Income forgone	(33 180)	(3 927 795)
	777 849	1 309 265

17. Service charges

Refuse removal

36 280

32 015

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18. Government grants and subsidies

Municipal Infrastructure Grant	-	7 984 020
Municipal System Improvement Grant	750 000	735 000
Intervention Grant	-	6 447
Government grant (operating) 6	678 000	-
MAP	-	24 619
Housing Funds	112 215	85 233
MPCC	-	96 814
Landuse Management	-	108 536
Governance Grant	59 439	440 561
FMG	1 202 455	1 000 000
FBE Grants	-	1 097 539
Equitable share	16 386 660	13 467 641
DBSA Grant	566 872	-
Milling Grant	363 658	-
Arts and Culture Grant	421 081	-
	20 540 380	25 046 410

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

MIG

Balance unspent at beginning of year	-	5 124 009	3 046 029
Current-year receipts		3 407 000	10 062 000
Conditions met - transferred to revenue		(2 997 754)	(109 538)
Work-In-Progress		(3 314 404)	(7 874 482)
		2 218 851	5 124 009

There is still work in progress amounting to R7 906 380.

Conditions

This grant is to be used for Infrastructure development only.

Transfers

The grant was transferred from National Co-operative Governance and Traditional Affairs (COGTA)

Focus

The focus was to address road infrastructure backlog

Implementation

As at 30 June 2011 road projects were approximately 90% complete

Municipal System Improvement Grant (MSIG)

Balance unspent at beginning of year	-	-	-
Current-year receipts	750 000	735 000	
Conditions met - transferred to revenue	(750 000)	(735 000)	

All conditions were met.

Conditions

This grant is to be used for financial management system improvement

Transfers

The grant was transferred from National Co-operative Governance and Traditional Affairs (COGTA)

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18. Government grants and subsidies (continued)

Focus

The focus was to enhance the financial management systems of the municipality

Implementation

As at 30 June 2011 system enhancement was 100% complete

Intervention Grant

Balance unspent at beginning of year	-	6 447
Current-year receipts	-	(6 447)
	-	-

All conditions were met.

Conditions

This grant is to be used to implement section 139 of the MFMA

Transfers

The grant was transferred from National Co-operative Governance and Traditional Affairs (COGTA)

Focus

The focus was to assist the municipality during the period when the municipality was under administration

Implementation

As at 30 June 2011 implementation was 100% complete

MAP

Balance unspent at beginning of year	-	24 619
Current-year receipts	-	(24 619)
	-	-

All conditions were met

Conditions

This grant is to be used for the development of systems policies and by-laws of the municipality

Transfers

The grant was transferred from National Co-operative Governance and Traditional Affairs (COGTA)

Focus

The focus was to assist the municipality to draw effective systems, policies and by-laws

Implementation

As at 30 June 2011 implementation was 100% complete

Housing Funds

Balance unspent at beginning of year	784 314	818 462
Conditions met - transferred to revenue	(112 215)	(85 233)
Interest received	28 179	51 085
	700 278	784 314

All conditions were met

Conditions

This grant is to be used to finance the preliminary stage of housing development

Impendle Municipality

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18. Government grants and subsidies (continued)

Transfers

The grant was transferred from the Housing Department

Focus

The focus was to finance the preliminary stage of housing development

Implementation

The municipality made an application to use this money towards the salary of the newly appointed Housing Officer

MPCC

Balance unspent at beginning of year

96 814

Conditions met - transferred to revenue

-

(96 814)

All conditions were met

Conditions

This grant was used to finance the running of the Thusong Centre

Implementation

As at 30 June 2011 implementation was 100% complete

Landuse Management

Balance unspent at beginning of year

108 536

Conditions met - transferred to revenue

-

(108 536)

All conditions were met

Conditions

This grant is to be used to cover costs relating to the development of Landuse Management

Transfers

The grant was transferred from National Co-operative Governance and Traditional Affairs (COGTA)

Focus

The focus was to assist the municipality in developing a Landuse management system

Implementation

As at 30 June 2011 implementation was 100% complete

Governance Grant

Balance unspent at beginning of year

59 439

500 000

Conditions met - transferred to revenue

(59 439)

(440 561)

59 439

The municipality has applied to the COGTA to use the remaining savings on the grant

Conditions

This grant is to be used for the development of systems and procedures of the municipality

Transfers

The grant was transferred from National Co-operative Governance and Traditional Affairs (COGTA)

Focus

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18. Government grants and subsidies (continued)

The focus was to assist the municipality to draw effective systems and procedures

Implementation

As at 30 June 2011 implementation was 100% complete

Milling Grant

Current-year receipts	1 500 000	-
Conditions met - transferred to revenue	(363 658)	-
	1 136 342	-

Conditions still to be met - remain liabilities (see note 12)

Provide explanations of conditions still to be met and other relevant information

Electrification Grant

Current-year receipts	678 000	-
Conditions met - transferred to revenue	(678 000)	-
	-	-

Conditions still to be met - remain liabilities (see note 12)

Provide explanations of conditions still to be met and other relevant information

[Insert additional text]

FMG

Balance unspent at beginning of year	-	1 000 000
Current-year receipts	1 250 000	-
Conditions met - transferred to revenue	(1 250 000)	(1 000 000)
	-	-

All conditions were met

Conditions

This grant is to be used to finance the cost of training finance interns, training, buying assets for finance department

Transfers

The grant was transferred from National Treasury

Focus

The focus was to assist the municipality in training finance interns and buying assets for the finance department

Implementation

As at 30 June 2011 implementation was 100% complete

FBE Grants

Balance unspent at beginning of year	-	1 097 539
Current-year receipts	819 300	-
Conditions met - transferred to revenue	(819 300)	(1 097 539)
	-	-

All conditions were met.

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18. Government grants and subsidies (continued)

Conditions

This grant is to be used to provide monthly subsidy of 50kW free to indegent people.

Transfers

The grant was transferred from National Treasury

Focus

The focus was to assist the municipality subsidise indegent people in the community

Implementation

As at 30 June 2011 implementation was 100% complete

Library Grant

Balance unspent at beginning of year		284 434
Current-year receipts	421 081	-
Conditions met - transferred to revenue	(421 081)	(284 434)

All conditions were met.

Conditions

This grant is to be used to subsidise the salary of the Cyber Cadet and purchasing of furniture for the library

Transfers

The grant was transferred from Provincial Library Department

Focus

The focus was to assist the municipality to finance the salary of the Cyber Cadet

Implementation

As at 30 June 2011 implementation was 100% complete

19. Other revenue

Fees earned	18 983	34 910
Commissions received	11 092	-
Other income	123 249	490 405
	153 324	525 315

Impendle Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand

	2011	2010
20. General expenses		
Advertising	149 466	177 610
Auditors remuneration	77 762	
Bank charges	251 514	40 938
Cleaning	4 068	58 781
Consulting and professional fees	28 636	6 031
Consumables	29 102	
Entertainment	30 000	
Community development and training	57 304	
Conferences and seminars	142 588	142 251
IT expenses	92 177	418 548
Motor vehicle expenses	9 875	
Fuel and oil	384 047	323 550
Printing and stationery	133 224	144 940
Protective clothing	41 645	51 558
Staff welfare	96 629	
Subscriptions and membership fees	187 272	(4 605)
Telephone and fax	467 909	425 439
Training	300 839	405 060
Travel - local	200 152	184 243
Electricity	1 064 679	1 543 676
Other expenses	4 526 989	5 220 543
	8 275 877	9 138 563

Impendle Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand

2011

2010

21. Employee related costs

Basic	8 205 674	6 064 364
Bonus	332 547	247 439
Medical aid - company contributions	167 279	103 454
UIF	191 536	48 000
SDL	61 728	72 998
Post-employment benefits - Pension - Defined contribution plan	374 064	407 490
Overtime payments	83 750	122 043
Housing benefits and allowances	34 637	48 751
Other	115 201	165 440
	9 566 416	7 279 979

Remuneration of municipal manager

Annual Remuneration	449 933	503 500
Car Allowance	110 000	80 000
Performance Bonuses	1 373	-
Contributions to UIF, Medical and Pension Funds	1 373	-
Other	3 010	10 500
Other	17 788	-
Other	22 000	-
	605 477	594 000

Remuneration of chief finance officer

Annual Remuneration	457 720	236 703
Car Allowance	16 483	193 297
Contributions to UIF, Medical and Pension Funds	1 497	-
Telephone	9 600	9 600
Other	3 109	10 000
	488 409	449 600

Corporate services manager

Annual Remuneration	371 502	329 634
Car Allowance	102 700	100 366
Contributions to UIF, Medical and Pension Funds	1 497	-
Telephone	9 600	9 600
Other	21 274	10 000
Other	3 409	-
	509 982	449 600

Governance (office of city manager)

Technical manager

Annual Remuneration	474 203	430 000
Contributions to UIF, Medical and Pension Funds	1 497	-
Telephone	9 600	9 600
Other	3 109	10 000
	488 409	449 600

22. Remuneration of councillors

Executive Major	135 841	111 185
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Impendle Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
22. Remuneration of councillors (continued)		
Councillors	902 173	1 107 417

In-kind benefits

The Mayor is not full-time. She is provided with an office and secretarial support at the cost of the Council.

The Mayor has use of a Council owned vehicle for official duties.

The Mayor has three full-time bodyguards .

The ordinary Councillors have no bodyguards. All councillors have cellphones, 3G modems and laptops.

23. Debt impairment

Debt impairment	(137 424)	1 000 000
Debts impaired	15 133	-
	(122 291)	1 000 000

This relates to provision for bad debts for the amount owed by the District Municipality (uMgungundlovu District Municipality)

24. Depreciation and amortisation

Property, plant and equipment	1 290 996	1 009 187
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25. Contracted services

Specialist Services	400 822	322 653
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Contracted services were for services rendered by Chubb, Nashua, Minolta

26. Grants and subsidies paid

Other subsidies	750 000	-
MSIG	-	-
Grants paid to ME's	-	-
Other subsidies	750 000	-

27. Cash (used in) generated from operations

Surplus	80 033	7 048 318
Adjustments for:		
Depreciation and amortisation	1 290 996	1 009 187
Debt impairment	(122 291)	1 000 000
Movements in provisions	184 518	161 838
Changes in working capital:		
Trade and other receivables	99 416	677 969
Consumer debtors	109 489	(1 232 238)
Trade and other payables	(1 166 080)	38 784
VAT	691 709	(2 483 344)
Unspent conditional grants and receipts	(1 912 292)	(15 117)
	(744 502)	6 205 397

28. Other cash item

This relates to sundry income received by the municipality during the year

Impendle Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand

2011

2010

29. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

30. Change in accounting policy

Impendle Municipality implemented GRAP which saw the introduction of Property, plant and equipment into the financial statements. Previously, the municipality was using IMFO standards.

31. Retirement benefits

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR 2010/2011							
	2010 Actual	2010 Expenditure R	2010 Surplus/Deficit	Segments/GFS/FUNCTIONAL AREAS	2011 Actual	Income R	Expenditure R
2.495	274.00	4 187 474.00	-1 592 200.00	Vote1 - Executive and Council	867 813	4 683 829	
14 972 737.00	6 934 989.00	8 037 748.00	Vote2 - Budget and Treasury	20 323 780	6 872 589		-3 816 016
347 646.00	3 300 432.00	-2 952 786.00	Vote3 - Infrastructure				13 451 191
284 434.00	175 230.00	109 204.00	Vote4 - Community and Social Services	107 709	1 140 710		-1 033 001
288 437.00	3 943 726.00	-3 655 289.00	Vote5 - Corporate Services	832 073	1 245 301		-413 228
			Vote6 - Public Safety	81 008	4 260 392		-4 179 384
			Vote7 - Housing	0	0		0
			Vote8 - Sports and Recreation	0	52 225		-52 225
1 351.00	444 159.00	-444 459.00	Vote9 - Planning	0	482 892		-482 892
	275 364.00	-274 013.00	Vote10 - Environmental	400	2 291 870		-2 291 470
9 061 706.00	170 539.00	8 891 167.00	Vote11 - Road Transport	0	0		0
			Vote12 - Health	20 762	1 089 103		-1 068 341
			912 184.00	0	34 600		-34 600
			58 871.00	0	0		0
274515851	20403268	7048317	Vote13 - Free Basic Electricity	0	0		0
			Vote14 - Tourism	0	0		0
			Vote15 - Waste Water management	0	0		0
				22233545	22153512		80034

IMPENDELE MUNICIPALITY

APPENDIX C
EXTERNAL LOANS AND INTERNAL ADVANCES FOR THE YEAR ENDED 30 JUNE 2011

	Repayment Date	Interest rate %	Balance at 1/7/2010	Received during the year	Redeemed or written off during the year	Balance at 30/6/2011
External Loans						
79569882 ABSA	20150630	10.3	1 026 000		148 184	877 816
79569939 ABSA	20150630	10.3	154 804		22 359	132 446
79569785 ABSA	20150630	10.3	621 300		89 734	531 566
79569726 ABSA	20130630	10.3	38 188		10 914	27 274
79570163 ABSA	20150630	10.3	332 188		47 899	284 289
TOTAL EXTERNAL LOANS			<u>2 172 480</u>	<u>-</u>	<u>319 091</u>	<u>1 853 390</u>

Grants Reconciliation Statement for 2010/2011 Financial Year						
Appendix A: Disclosure of Grants in terms of s123 of the MFMA						
Trust Funds Accounts	Opening Balance as Grant Received at 01 July 2010	Interest Received	Total Funds	Grant Spent/transferred	Closing balance at 30 June 2011	Spending Percentage
Trust Fund Housing	75 176.95	301.34	75 478.29	-	75 478.29	0%
MSIG	-	750 000.00	750 000.00	750 000.00	-	100%
FMG	-	1 250 000.00	1 250 000.00	1 250 000.00	-	100%
Milling Grant	-	1 500 000.00	1 500 000.00	363 658.00	1 136 342.00	24%
Housing Scheme-ward 2	180 516.06	7 776.01	188 292.07	26 070.00	162 222.07	14%
Housing Scheme-ward 3	156 590.59	5 017.11	161 607.70	33 920.00	127 687.70	21%
Housing Scheme-ward 4	372 030.17	15 084.33	387 114.50	52 225.00	334 889.50	13%
Electrification Grant	-	678 000.00	678 000.00	678 000.00	-	100%
Free Basic Electricity	-	819 300.00	819 300.00	819 300.00	-	100%
DBSA Grant	-	566 871.64	566 871.64	566 871.64	-	100%
Art & Culture-Library Grant	-	421 081.05	421 081.05	421 081.05	-	100%
MIG	5 124 008.92	3 407 000.00	8 531 008.92	6 312 158.13	2 218 850.79	74%
DLGTA-Governance grant	59 438.97	-	59 438.97	59 438.97	-	100%
Total	5 967 761.66	9 392 252.69	28 178.79	15 388 193.14	11 332 722.79	4 055 470.35
						74%